



Exeter Student Investment Fund

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Qualcomm Inc. [QCOM]

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Company

- Qualcomm (QUALity COMMunications)

Reasons to Buy

- Emergence of 5G in coming years
- Has over 50% market share in 5G smartphone processors
- Huge deals already with android
- Apple recently agreed to a six-year license agreement for Qualcomm's wireless patents - about \$4.7bn in licensing revenues



Potential Risks

- Controversial antitrust issues
- Multiple recent patent disputes

Company Overview: History and Products



- Founded 1985 by 8 ex-coworkers at previous tech firm 'Linkabit'.
- Started as an R&D contracting company.
- Now mainly involved in semiconductors, software and wireless technology.
- Hugely involved in 3G, 4G + 5G (e.g., winning \$1 billion auction in India for license to service broadband).

Had 12.46% of patents used in 4G LTE standards in 2012)

As of 2018, Qualcomm has partnerships with 19 mobile device manufacturers and 18 carriers to commercialize 5G technology.

Now venturing into all kinds of tech, e.g a Car Telematics deal with Ford and processor chips for PCs

Chips most used in Samsung, Sony + other Androids

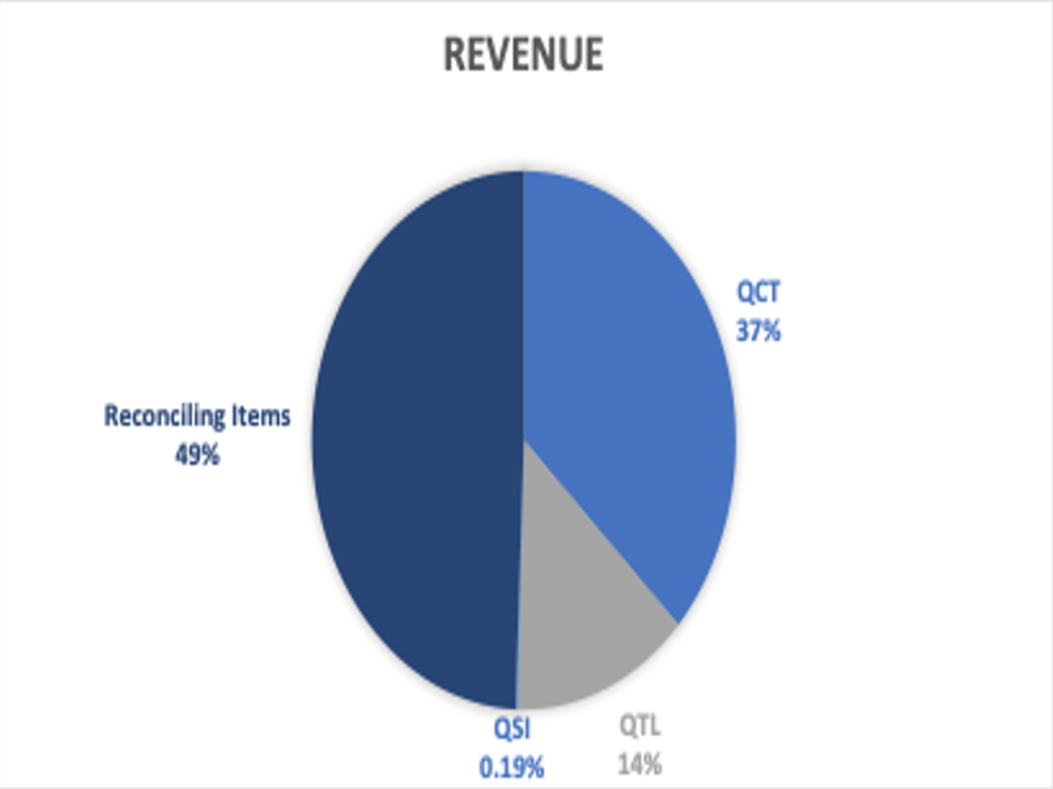


- **Steve Mollenkopf**
Chief Executive Officer since 2014.
Previously President + COO.
Inventor on 38 patents.
At Qualcomm since 1994.



- **Cristiano R. Amon**
President + CEO-Elect.
Joined Qualcomm 1995 as an engineer.
Amon has also served as the chief technical officer of Vésper, a wireless operator in Brazil and held positions at NEC, Ericsson and Velocom Inc.

Company Overview: Business Model



QCT: Qualcomm CDMA Technologies- CDMA wireless products
QSI: Qualcomm Technology Licensing- Licensing and Patent sales of Intellectual Property
QTL: Qualcomm Strategic Initiatives- Investing in other tech companies

Structural Growth:
Use of phones and subsequently data only going up
Incoming worldwide 5G expansion

Segment	Revenue by segment (in millions USD)	Revenue Contribution
QCT	3567	37.02%
QTL	1292	13.41%
QSI	18	0.19%

Revenue by Location:

Geographical region	Revenue by region (in millions USD)	Revenue Contribution
United States	603	2.65%
China (including Hong Kong)	15149	66.64%
South Korea	3175	13.97%
Other countries	3805	16.74%
Total	22732	100.00%



147.98 USD

+2.42 (1.66%) ↑

Closed: 12 Feb, 19:59 GMT-5 · Disclaimer

After hours 147.98 0.00 (0.00%)

NASDAQ: QCOM

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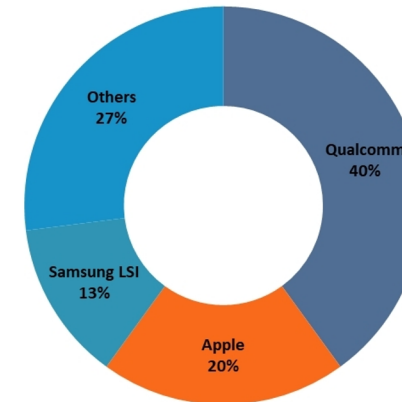
1 day 5 days 1 month 6 months ytd 1 year 5 years max



Open	145.57	Mkt cap	168.11B	Prev close	145.56
High	151.40	P/E ratio	25.27	52-wk high	167.94
Low	144.86	Div yield	1.76%	52-wk low	58.00

EBITDA Sept 2020: \$7.714B
High P/E Ratio suggests High Potential Growth

Q2 2019 Smartphone AP Revenue Share: \$4.8 Bn



STRATEGYANALYTICS

40% Market Share of Smartphone Application Processors

Revenue	▼ US\$23.53 billion (2020)
Operating income	▼ US\$6.26 billion (2020)
Net income	▲ US\$5.20 billion (2020)
Total assets	▲ US\$35.59 billion (2020)
Total equity	▲ US\$6.08 billion (2020)



Potential of 5G not represented in price

- Amount of revenue 5g will generate.
 - Involvement in cars (e.g. higher tech).
 - “Independent Analytical Firm IHS Markit estimate the Global 5G value chain could generate up to \$3.8 trillion in economic output and support 22.8 million jobs by 2035”
-
- **Steps they’re taking ESG wise not appreciated in market price.**
-
- **Knowledge about involvement with AI not represented in price**



- Snapdragon X65 5G Modem-RF System
- Greatest market share



QUALCOMM, Inc.

Industry Group: Semiconductors Country: United States Identifier: NAS:QCOM

ESG Risk Rating

19.2 Low Risk



Last Update: Dec 15, 2020



Ranking

INDUSTRY GROUP
Semiconductors 19 out of 251

UNIVERSE
Global Universe 2367 out of 13568



Environment, Social and Governance (ESG) Risk Ratings

Total ESG Risk score	Environment Risk Score	Social Risk Score	Governance Risk Score
1918th percentile	6.4	3.5	9.3
Low			

Controversy Level

QCOM Peers Category Average

4 High Controversy level



ESG data provided by Sustainalytics, Inc. Last updated on 2/2021



Quantitative targets:

diversity and inclusion
purposeful innovation
STEM education
Supply chain management
Greenhouse gas (GHG) emissions
reduction

2020

*Environment

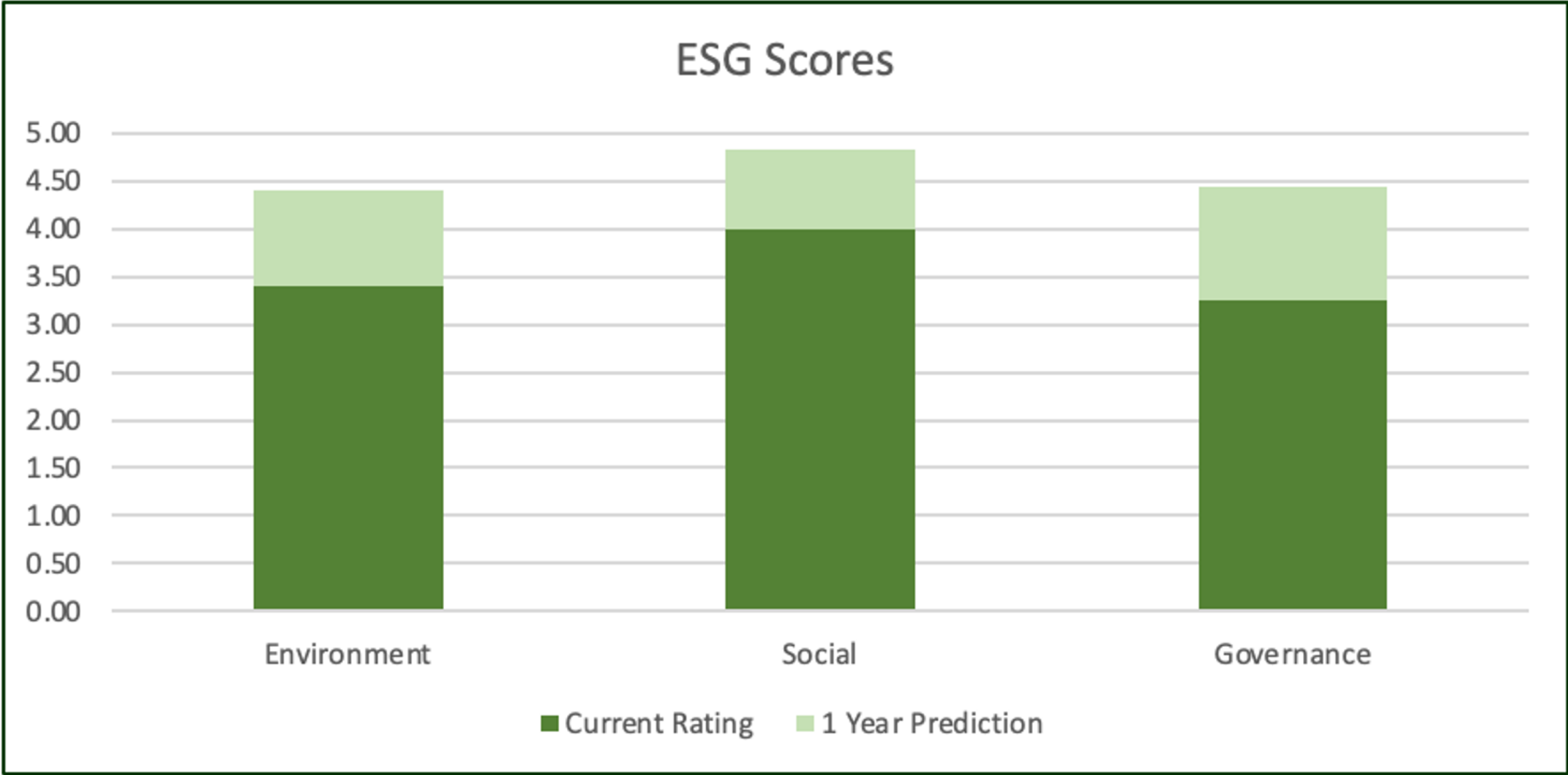
First company-wide climate scenario analysis (CSA)
Achieved TCR (Climate Registry's Climate Registered) status
Reduced Scope 1+2 emissions by 14%
Qualcomm Taiwan Sustainability Collaboration Project

*Social

named on Fortune's Change the World List
Wireless Reach program
Small Business Accelerator Program
Work-from-home policy.
Female rep. increased by 17% worldwide.

Governance

Diversity and inclusion now in annual cash incentive plan.
50% of Board Members are women/people of colour
One of America's Most Responsible Companies - Newsweek
Updated Q. Human Rights Statement





- Multiple Lawsuits and Disputes
- Accusations of Qualcomm abusing market dominance eg:
- Qualcomm patents and intellectual property are so essential to CDMA technologies that their 5% (around \$30 per mobile) royalties charge is looked badly upon, which is 5-10 times more than what is normally charged.

Below are some examples of disputes:

- ParkerVision filed a lawsuit against Qualcomm in July 2011 alleging that it infringed on seven ParkerVision patents related to converting electromagnetic radio signals to lower frequencies A \$173 million jury verdict against Qualcomm was overturned by a judge
- In November 2013, the China National Development and Reform Commission initiated an antitrust investigation into Qualcomm's licensing division The Securities and Exchange Commission also started an investigation into whether Qualcomm breached anti bribery laws through its activities in China. The Chinese regulator raided Qualcomm's Chinese offices in August 2013 The dispute was settled in 2015 for \$975 million.
- In late 2016 The Korea Fair Trade Commission alleged Qualcomm abused a "dominant market position" to charge cell phone manufacturers excessive royalties for patents and limit sales to companies selling competing semiconductor products The regulator gave Qualcomm a fine of \$854 million, which the company said it will appeal.
- In April 2017, Qualcomm paid a \$814.9 million settlement with BlackBerry as a refund for prepaid licensing fees
- In October 2017, Taiwan's Fair Trade Commission fined Qualcomm another \$773 million In late 2018 Qualcomm paid a settlement to Taiwan for \$93 million in fines and a promise to spend \$700 million in the local Taiwan economy.



However, despite these issues, the company has recently made large strides in changing its perception and ESG influence - recently being named on Fortune's 'Change the World List', as well as being named in the top 5 'Most Responsible Companies in America' by Newsweek for the second consecutive year.

In Qualcomm's 2020 Corporate Responsibility Report they set out various ESG goals to hit by 2025. These include:

- Ensuring 100% of Semiconductor manufacturing suppliers are audited every two years for conformance to the Supplier Code of Conduct - ensuring safe and fair working conditions.
- Reduce Greenhouse Gas emissions by 30% compared to 2014 (base year).
- Reduce power consumption by 10% every year
- Increase representation of Women and Underrepresented Minorities in Leadership roles by 15% respectively.

Furthermore, Qualcomm has a well established 'Wireless Reach Program' - which has supported 20 million people across 48 countries since 2006. This program brings 'advanced wireless technology to people and communities who need it most' - enriching sectors such as teaching, agriculture and healthcare.



Economic value of 5G over the next 10-15 years will be massive, and the value of Qualcomm will rise with the rapidly increasing utilization of this technology.

Furthermore, Qualcomm are at the forefront of AI development, which could change the way many industries work completely.

While they have had ESG issues in the past few years, especially with licensing/patents, Qualcomm is actively trying to rectify this and is showing success at doing so after achieving their 2020 goals, and hence being placed on the 'Most Responsible Companies in America' by Newsweek. Also, disputes over patents within the technology sector are quite commonplace due to the innovative nature of the industry - those who invest in researching and developing new technologies want to reap the rewards of taking the risk in doing so.

Overall, despite having a price surge in the past year, we strongly believe that the true value of Qualcomm is still not reflected by the market.